



MAGIC VALLEY

BLAINE, CAMAS, CASSIA, GOODING, JEROME, LINCOLN, MINIDOKA, & TWIN FALLS COUNTIES

EMPLOYMENT TRENDS

The seasonally adjusted unemployment rate for the Magic Valley Labor Market Area (LMA) was 4.2 percent for October 2003. This was unchanged from September and was one-tenth of a percentage point higher than it was in October 2002. The *Civilian Labor Force* increased by 5,310 workers, or 10.7 percent, year-over-year, but the number of unemployed persons was also higher.

Sector analysis shows that *Construction*, *Retail Trade*, and *Professional and Business Services* were strong with year-over-year increases of 5.4 percent, 2.7 percent, and 17.3 percent, respectively. *Transportation* also showed a strong increase of 11.9 percent year-over-year. Sectors that showed decreases over the same time period were *Other Manufacturing*, *Wholesale Trade*, and *Utilities* with decreases of 4.1 percent, 2.2 percent, and 4.8 percent, respectively.

Employment remains stable in the Magic Valley LMA, and 4.2 percent is a good rate given recessionary pressure over the past year. Although *Retail* has stabilized, it consists strongly of workers at large retailers. Small stores and boutiques have shown a slight decrease in employment thus far in 2003, but an increase was anticipated with holiday shopping.

SPECIAL TOPIC:

Is the Economy in Recovery?

Historically, the United States economy has followed a regular business cycle. If viewed as a graph, this business cycle would look like an irregular "sine wave" with defined peaks and valleys. It would be irregular because there would be different spacing between peaks and valleys, depending on how long each phase of the cycle lasted and depending on the depth of each recession or depression. The business cycle phases are roughly: Growth, Prosperity, Decline, Recession, Depression, and Recovery. Depression-like symptoms occurred in the 1830s, as the United States did not have a uniform banking system or currency. After the Civil War, Reconstruction efforts resulted in the same situation. Of course in the 20th Century, the Great Depression lasted roughly from 1929 until the start of World War II. A recession is a marked decline in an economy; a notable

Magic Valley Table 1: Labor Force & Employment
Twin Falls, Jerome, and Gooding Counties

	Oct 2003*	Sept 2003	Oct 2002	% Change From	
				Last Month	Last Year
INDIVIDUALS BY PLACE OF RESIDENCE					
Seasonally Adjusted					
Civilian Labor Force	54,960	53,710	49,650	2.3	10.7
Unemployment	2,320	2,270	2,060	2.2	12.6
% of Labor Force Unemployed	4.2	4.2	4.1		
Total Employment	52,640	51,440	47,340	2.3	11.2
Unadjusted					
Civilian Labor Force	55,200	54,790	50,260	0.7	9.8
Unemployment	1,920	1,870	1,710	2.7	12.3
% of Labor Force Unemployed	3.5	3.4	3.4		
Total Employment	53,280	52,920	48,550	0.7	9.7
JOB BY PLACE OF WORK					
Nonfarm Payroll Jobs**	43,480	43,250	40,620	0.5	7.0
Goods-Providing Industries	8,160	8,130	7,920	0.4	3.0
Natural Resources & Mining	20	20	30	0.0	-33.3
Construction	2,340	2,350	2,220	-0.4	5.4
Manufacturing	5,800	5,760	5,610	0.7	3.4
Food Manufacturing	3,950	3,820	3,680	3.4	7.3
Other Manufacturing	1,850	1,930	1,930	-4.1	-4.1
Service-Providing Industries	35,330	35,120	32,750	0.6	7.9
Trade, Transportation & Utilities	10,170	10,170	9,830	0.0	3.5
Wholesale Trade	1,810	1,900	1,850	-4.7	-2.2
Retail Trade	5,990	5,960	5,830	0.5	2.7
Utilities	200	160	210	25.0	-4.8
Transportation & Warehousing	2,170	2,150	1,940	0.9	11.9
Information	500	500	500	0.0	0.0
Financial Activities	1,750	1,760	1,680	-0.6	4.2
Professional & Business Services	6,300	6,460	5,370	-2.5	17.3
Educational & Health Services	3,840	3,800	3,070	1.1	25.1
Leisure & Hospitality	3,690	3,700	3,660	-0.3	0.8
Other Services	1,480	1,520	1,490	-2.6	-0.7
Government Education	3,600	3,090	3,030	16.5	18.8
Government Administration	4,000	4,120	4,130	-2.9	-3.1

*Preliminary Estimate

**Full- or part-time jobs of people who worked for or received wages in the pay period including the 12th of the month

recession occurred in the late 1970s through the early 1980s when inflation became extremely high and oil shortages occurred. From late 2000 until the middle of 2003, the United States experienced an unmistakable recession in which unemployment increased dramatically, trade deficits increased, and the manufacturing and volatile technology sectors experienced notable drop-offs in profitability that led to higher joblessness. In the last three months, there has been evidence that recovery has begun. Joblessness is showing signs of lessening, new jobs are being created in notable numbers, and consumer confidence is growing, resulting in increased consumer spending. But is the economy of the United States, Idaho, and South Central Idaho in recovery?

Idaho's economy has always been slightly different than the nation's economy because, as a resource-based state (timber, mining, and agriculture), Idaho's economy is often pulled by the national economy. As a result, Idaho's economy tends to lag behind the national economy by one business cycle phase. For example, when the national economy has been in a growth cycle,

Idaho has tended to be in a stable mode. When the national economy has been in recession, Idaho has merely been in decline. That has changed somewhat in the 21st Century as the Boise area has become more urban and has experienced extreme growth in the technology sector. Though this was beneficial during the tremendous economic boom of the 1990s, the technology and manufacturing sectors experienced marked volatility and economic malaise as the recession occurred. However, Idaho's economy remains mostly rural and many parts of the state never really experienced major growth in the 1990s. These rural areas have remained in a state of decline because the recession of the 1970s and 1980s permanently altered some markets—especially in timber and mining—as consumer demand changed.

South Central Idaho's economy has somewhat mirrored that of rural Idaho. In areas that are more sector-dependent (i.e., food processing), unemployment rates have remained high. For example, the Mini-Cassia area was hard hit by the national recession and potato demand has been soft, resulting in plant closures and layoffs. The Blaine County area is different in that it is heavily dependent upon tourism. Early in the 1980s, unemployment was extremely seasonal and periods of high unemployment occurred when the winter skiing season ended. By concerted effort, area economic developers were able to create more year-round attractions and there were large construction projects that lowered and stabilized unemployment. Many times in the past few years, Blaine County has had one of the lowest unemployment rates in Idaho. Tourism was changed, perhaps forever, on September 11, 2001, as terrorist attacks shifted tourism plans for many Americans. This had a detrimental effect on the Sun Valley area; however, there are signs of recovery and travelers' fears are lessening. Sun Valley's economy depends a great deal on the weather, however, and Idaho has experienced drought conditions.

Western Magic Valley has been a paradox. For the most part, it has been a remarkably strong economy in the face of intense recessionary pressure. Job growth has been outstanding, and entirely new employment sectors have been created in stable technology and light manufacturing. Many new employers have located in the area and hired local workers, and this has improved consumer confidence. Rural Jerome and Gooding Counties have experienced exponential growth in the dairy industry over the last decade, resulting in extremely low and stable unemployment with these new employers, related processors, and others. It has actually changed the entire foundation of the economy in these areas. The Magic Valley LMA has not been immune to recession. For example, Moore North American in Jerome closed in late summer, laying off nearly 100 workers, but the inherent benefits of a diversified economy have mitigated most negative trends. This economy remains one of the hottest economies in the state.

And so, are the national, state, and local economies in recovery? The answer is a qualified "yes." The evidence of national recovery is unmistakable and early indications imply that it is sustainable. Job creation in many sectors has increased and consumer confidence is improving. The holi-

day buying season is off to a strong start. Joblessness has declined. If major factors remain constant, the U.S. economy will continue to recover, albeit very slowly, and it will likely be very fragile.

Idaho also is showing signs of recovery. Consumer confidence is improving. Residential and business construction has benefited from extremely low interest rates and is strong in most, but not all, areas. Retail spending is showing marked improvement in most population centers. Evidence shows that technology manufacturing may be stabilizing; the Boise area has seen recent call center openings and new job creation in that sector. Potato processing jobs are still a serious concern in southern Idaho as the potato and French fry markets remain soft. Mining in North Idaho has shown a few positive flickers of activities. Timber and paper processing are also areas of concern, and a national recovery should at least stabilize those markets.

South Central Idaho's economy should also experience improvement. Already, the Mini-Cassia area has seen new businesses move in. Though these have initially created a small number of jobs, it has contributed to increased confidence. Kraft Foods in Rupert has added 35 jobs. The potato processing market and related farm potato contracting remains a concern and somewhat an unknown, but after the recent closure of the J.R. Simplot Company, it is felt that the job market has bottomed out and that increased national economic activity will provide some positive stimulus. Retail activity has been surprisingly good given job losses, and that should improve with recovery and possible new job creation. It is expected that unemployment rates and overall economic indicators will get worse early in 2004 as 2003 events are captured statistically, and it will take awhile for positive factors to be seen in overall numbers. However, a positive attitude and economic development efforts to diversify the economy gives strong hope to the region. The Sun Valley area is a concern, but mostly from a weather perspective. South Central Idaho has been alarmingly dry for several years. In fact reservoirs are at record lows. Drought conditions put a damper on both summer and winter tourism due to fire danger and lack of snow. If water conditions improve, so does the outlook for the area. Late December snowstorms, however, may help to improve that outlook.

Western Magic Valley should continue its strength. Job growth will probably stabilize rather than show huge growth. *Retail* and *Service* sectors jobs will again be the leaders. Wage outlook remains modest. *Agriculture* is stable if the water year is adequate for summer crops. Beef prices were excellent prior to the recent discovery of a diseased cow in Washington. This event has had an effect on beef prices. The long-term affect is unknown. Dairy prices remain low but relatively stable. And so, like the state and the nation, the outlook is for a slow and fragile recovery with improving conditions over the next two years.

Gregory Rogers, Regional Labor Economist
771 N. College Road, Twin Falls, ID 83303
(208) 735-2500, ext. 3639
E-mail: grogers@jobservice.us